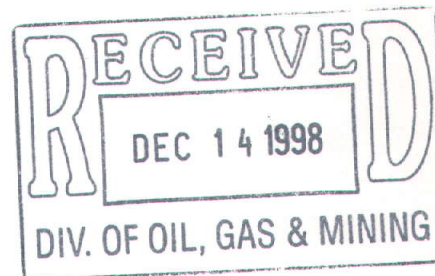


# LEXCO

A Utah Corporation

Mining and Mineral Exploration  
P.O. Box 1198  
582 North Vernal Avenue  
Vernal, Utah 84078  
435-789-5361  
435-545-2477



December 10, 1998

Mr. Anthony Gallegos  
Division of Oil, Gas & Mining  
Box 145801  
Salt Lake City, Utah 84114

Re: Small Mine Operator S/047/064

Dear Mr. Gallegos:

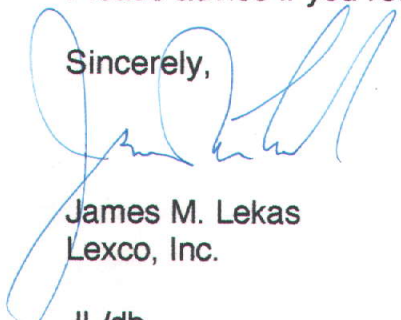
Lexco is continuing with the implementation of our previously approved Phase 1 Development on our Federal Gilsonite Lease #UTU-72699.

Our continued activity will consist of the construction of Shaft #2 as described in our approved mine plan. The previously described exploration activity is all contained within the foot print of Shaft Site #2.

BLM has required and Lexco has agreed to the posting of an additional \$12,000.00 reclamation bond. This brings our total reclamation bond to \$38,500.00 for Phase 1 Development.

Please advise if you require additional information.

Sincerely,



James M. Lekas  
Lexco, Inc.

JL/db